

PUBLIC ACCOUNTS COMMITTEE
1959-60

TWENTY-SIXTH REPORT

(SECOND LOK SABHA)

**[WORKING OF THE IRON & STEEL CONTROLLER'S
ORGANISATION]**



LOK SABHA SECRETARIAT
NEW DELHI

March, 1960/Chaitra, 1882 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, (*Vice* Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister) and was appointed as the Chairman of the Committee on the 12th September, 1959.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-sixth Report on the working of the Iron and Steel Controller's Organisation.

2. The Public Accounts Committee at their sitting held on the 22nd October, 1959 appointed a sub-Committee to enquire into certain aspects of the working of the Iron and Steel Controller's Organisation. The Report of the sub-Committee which is appended hereto was considered and approved by the Public Accounts Committee at their sitting held on the 24th March, 1960 (Appendix I) and should be treated as the report of the Public Accounts Committee.

3. A statement showing the summary of the conclusions/recommendations of the Committee is appended to the Report. (Appendix II).

NEW DELHI;
The 24 March, 1960
Chaitra 4, 1882 (Saka)

UPENDRANATH BARMAN,
Chairman,
Public Accounts Committee.

**REPORT OF THE SUB-COMMITTEE ON THE WORKING OF THE
IRON AND STEEL CONTROLLER'S ORGANISATION**

INTRODUCTION

I, the Chairman of the sub-Committee of the Public Accounts Committee, having been authorised by the sub-Committee, present this Report on their behalf on certain aspects of the working of the Iron and Steel Controller's Organisation referred to in paragraphs 36, 37, 38 and 39 of Audit Report (Civil), 1958 and paragraphs 35 and 37 of Audit Report (Civil), 1959.

2. At their sitting held on the 22nd October, 1959, the Public Accounts Committee appointed a sub-Committee consisting of the following Members of the Committee to investigate into the aforementioned case:

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Shradhakar Supakar
3. Shri S. V. Parulekar
4. Shri Radha Raman
5. Shri Surendra Mohan Ghose
6. Shri Amolakh Chand
7. Rajkumari Amrit Kaur

3. The sub-Committee visited the Office of the Iron and Steel Controller at 33, Netaji Subhas Road, Calcutta, for an on-the-spot study on the 27th, 28th and 29th December, 1959 and also held informal discussions with the Iron and Steel Controller on those days on the points raised in the Audit Paragraphs.

4. The sub-Committee also examined the Secretary, Ministry of Steel, Mines & Fuel (Department of Iron and Steel), on 11th February, 1960.

5. The sub-Committee place on record their appreciation of the assistance given to them in the course of their examination of this case by the Comptroller and Auditor General of India.

NEW DELHI—1,
The 18th March, 1960.
Phalguna 28, 1881 (Saka).

UPENDRANATH BARMAN,
Chairman,
Sub-Committee of P.A.C.

I

IRON AND STEEL CONTROL

**Historical Background:* With the outbreak of hostilities in September 1939, it became apparent that the peace time procedure of procuring steel to meet Government requirements would not serve the purpose. Contracts were, therefore, entered into with the main producers for supply of steel at commercial prices ruling before the outbreak of war. Upto the end of 1940 there was an Adviser on Steel Supplies appointed by Government to assist Government to obtain steel for war purposes at reasonable rates. As time passed, the demand for steel went on increasing, whereas the position of imports became more and more difficult. In 1941 the Iron and Steel (Control of Production and Distribution) Order, 1941, was promulgated and the Adviser on Steel Supplies was appointed as Iron & Steel Controller with powers to control steel and to arrange for its sale at controlled rates to quota-holders.

With steel becoming scarce after the outbreak of war, the demand for scrap also increased and as the supply position of scrap was limited, the Iron and Steel (Scrap Control) Order, 1943, was issued in March 1943. Under this Order the Iron and Steel Controller was given full powers to distribute scrap at controlled rates.

The Iron & Steel (Control of Production and Distribution) Order, 1941 and the Iron and Steel (Scrap Control) Order, 1943, were amalgamated. Modifications on the basis of past experience were made and a new Order entitled Iron & Steel (Control) Order, 1956, was issued on 8th May, 1956.

2. The consumers are classified into eleven broad categories, e.g., Defence, Railways, Industrial Maintenance and Packing, Government Development Schemes, Steel Processing Industries, Private Industrial Development, Export, States (Agricultural), States (Non-Agricultural), Housing of Displaced Persons and Small Scale Industries. The demands under each group are scrutinised, consolidated and sponsored by various Sponsoring and Coordinating authorities and allotments are made at a quarterly meeting taking into consideration the essentiality of demand and availability of steel. Special quotas are allotted to the States for distribution to the general public and small scale manufacturers, both for agricultural and

*Based on material supplied by Iron & Steel Controller.

non-agricultural purposes. The distribution of the State quota is left entirely to the discretion of the respective State Governments. The distribution of scrap and defective iron and steel is also done through the State Governments. Quota Certificates against allotments are issued to individual allottees by the respective Sponsoring and Coordinating Authorities. Steel is obtained against Quota Certificates either by placing orders on producers through the Iron and Steel Controller or from controlled stock-holders direct.

3. *Administration*: The Office of the Iron and Steel Controller is divided into four main Divisions as indicated below:

1. Planning and Production.
2. Price and Accounts.
3. Steel Import Control.
4. General (e.g. Administration, coordination and purchase of steel).

From the middle of 1955, the tempo of work in the Office has been generally on the increase. This was mainly due to the fact that the Government of India decided to import large quantities of steel to meet the requirements of the Second Five Year Plan. From April 1956 onwards, huge consignments of steel arrived at the ports, of Calcutta, Bombay and Madras. As the Office of the Iron and Steel Controller was located at Calcutta, the day to day problems relating to congestion at the docks and the movement of steel to the consuming centres from the port of Calcutta were being looked after satisfactorily. It was, however, not possible to exercise the same control over the ports of Bombay and Madras. This necessitated opening of two Regional Offices at those ports in the middle of 1956 in the interest of the steel consumers of those regions.

4. **Price*: The Price & Accounts Division of the Organisation deals with the following:—

- (a) All adjustments through the Equalisation Fund viz.,
 - (i) Recovery of surcharge (difference between Sale & Retention Prices of iron and steel) from Main Producers.
 - (ii) Payment of subsidy (difference between landed cost and

*As the scope of examination by the sub-Committee related to only the Price and Accounts Division of the Organisation, the description of the Organisation is confined to this Division only.

controlled price of subsidised imported steel) to Importers.

- (iii) Adjustments with Registered Re-rollers.
- (iv) Revaluation of the stock of steel held by controlled stockholders on dates of change in controlled prices.
- (v) Payment of Road/Rail Transport charges and other miscellaneous claims to Producers, Re-rollers, stockists and consignees.
- (b) Fixation of sale and retention prices of controlled categories of indigenous steel and fixation of price of steel imported under commercial licence on the basis of landed cost.
- (c) Import and sale of steel imported under Technical Cooperation and Assistance Programme (Residual work).
- (d) Realisation of value of Disposals/Surplus Scrap and Steel of Government Departments from tenderers or allottees and payments of refund claims pertaining to the same.
- (e) Maintenance of accounts relating to Equalisation Fund (Cash Book, ledger, trial balance, balance sheet etc).

5. *Scheme of equalisation of price of steel:* Till February, 1943, the main producers of Steel (TISCO and SCOB) were selling steel at their own commercial port prices and Re-rollers used to charge competitive 'ex-works' prices based on their cost of production. In respect of supplies to Defence Department, however, the main producers were charging a uniform price ex-works (i.e. War contract price) by a special arrangement. Thus different prices prevailed for the same category and size of steel.

In 1943 a scheme of uniform prices was introduced with regard to supplies by Re-rollers. From the 1st of July, 1944 a one-price scheme was introduced. Under this scheme the Main Producers were to sell steel at controlled rates (selling price included an element of *freight plus place extra*) to all their customers and credit the difference between the controlled price and retention price (based on cost of raw materials, conversion cost and other admissible charges) to the "Iron and Steel Controller's Equalisation Fund."

Later in 1948 when it was decided that imported steel should also be supplied at controlled rates, the difference between the imported prices and controlled prices of such imported steel was paid as **subsidy** to the importers out of the Equalisation Fund.

II

Outstanding dues from two main producers of steel—Para 36 of Audit Report (Civil), 1958.

6. During the period of 1st May, 1949 to 10th June,* 1956, the selling price of steel (f.o.r. destination) supplied by the two main producers (TISCO AND IISCO) to various allottees *included an element of freight upto destination*, calculated at a flat rate per ton. The difference between this flat rate of freight and the actual freight for each consignment was to be recovered from, or paid to, the main producers, as the case may be, by corresponding credits or debits to the Steel Equalisation Fund. |

The orders of Govt. regarding this adjustment were conveyed to the two main producers in the then Ministry of Industry and Supply letter dated 25th May, 1949 and a copy thereof was endorsed to the Iron and Steel Controller. No adjustment on the above account was, however, made by the Office of the Iron and Steel Controller (Price and Accounts Division). |

The net amount due to the Fund on this account from the two main producers is estimated by the Ministry to be about Rs. 1·5 crores and the matter is still awaiting settlement.

7. During the course of their on-the-spot study in December last, the sub-Committee inquired what action was taken by the Iron & Steel Controller on the orders of the Ministry of Industry and Supply dated 25th May, 1949. As the original file relating to 1949 was not forthcoming, no direct reply could be given to the sub-Committee. It was, however, added that in November 1951 Audit pointed out to the Iron and Steel Controller that no recovery of difference in freight charges was being made since 1st May, 1949 as per Government's orders referred to above. Thereupon the Iron and Steel Controller made a reference to Government in December 1952 for clarifying the date from which adjustment was to be made (i.e. whether it should be made from 1st January, 1948—the date from which an increase in the retention price of steel was allowed—or from 1st May, 1949) as there was difference of opinion in this regard between the Price and Accounts Officers and the Financial Adviser to the Controller in Calcutta. The Ministry clarified in January 1953 that the adjustment should be made from 1st May, 1949. On receipt of this clarification, TISCO and IISCO were asked by the Iron and Steel Controller to

*The procedure was revised for all despatches from 11-6-56.

furnish statements showing quantities of steel despatched to various destinations, the freight paid to the Railways and the place extra collected, in order to enable him to carry out the adjustments. TISCO intimated that the relevant old records were not available, while IISCO expressed its inability to furnish the required statements as it would entail tremendous clerical labour. It was, therefore, decided that bills be issued to the two companies on the basis of the statements prepared from the records available in the Office of the Iron and Steel Controller. The records were reported to be in the possession of the Office except for the following periods:

TISCO—April and May, 1951.

IISCO—January to June, 1951 and August to December, 1951.

As for the period from November 1955 onwards, the accounts relating to freight adjustments were being maintained regularly and bills and credit notes were being issued for adjustment.

8. *The sub-Committee are concerned to learn that such a large amount (Rs. 1.5 crores according to the Ministry) relating to a period covering over six years remains unadjusted for such a long time. According to the procedure prescribed for making these adjustments, the main producers are to send to the Iron and Steel Controller copies of Despatch Advices or Invoices issued by them, which will be coded in a Price Card Book. The Price Card Book with every Invoice coded separately will then be sent to the Hollerith Section for the preparation of a monthly statement showing separately for each class the total tonnage. The main producers will also prepare similar monthly statements and send them to the Iron and Steel Controller. The latter will check them with his statement and effect the necessary adjustments. In actual practice, however, the invoices received from the main producers were not coded in the Price Card Book. Nor did the Iron and Steel Controller watch the receipt of the monthly consolidated statements from the main producers. In short, his Organisation did not seem to bother about the adjustments for more than two years (from 1949 to 1951) till Audit pointed out the omission. Thereafter a hitch arose about the date from which the adjustments should be made and it took about 14 months (from November, 1951 to January, 1953) to have the matter settled. The sub-Committee were perturbed at the manner in which the then Iron and Steel Controller (who was serving in an honorary capacity) was oblivious of his statutory responsibilities. They felt that the relevant file (1949—51) would throw some light on this, but strangely and unfortunately it was missing. The sub-Committee also consider that period of 14 months taken to settle this point was unjustifiable.*

Even if there were a bona fide doubt about the effective date of the orders of Government, it would have been more prudent to carry out the adjustment from the later date (1-5-49) leaving the question of retrospective application of the orders from the earlier date (1-1-48) open.

9. The sub-Committee inquired why there had been further delay in carrying out the adjustments since 1953. In extenuation it was urged that as the main producers were not able to furnish the consolidated statements and the records for a part of the period were missing, a relaxed procedure was being devised. Accordingly, the figures for a few months selected at random were compiled by the Iron and Steel Controller from his records which were to form the basis of settlement of the sum due for the whole period. As this suggestion, it was added, was not wholly acceptable to the main producers, the matter could not be pursued further.

The sub-Committee are far from happy at the way in which the matter has been dealt with. It has been admitted by the Iron and Steel Controller that all the records except for a few months were available in his Office and the amount due to be adjusted could be compiled. In reply to a specific question, the sub-Committee were informed that this work would require 120 clerks for about five months. The sub-Committee, therefore, consider that it will stand Government in good stead if the statements are compiled from the documents available with the Iron and Steel Controller and the amount to be adjusted computed. As the basic records will be the Invoices|Despatch Advices sent by the main producers, there can be no doubt about their correctness.

10. The matter has been kept pending for an unduly long period. The sub-Committee consider that the Ministry should adopt the above suggestion in the preceding paragraphs and proceed with the work with utmost expedition. In the opinion of the sub-Committee it should be possible to clear the outstandings from both the main producers by 31st October, 1960. The sub-Committee would like to have a report at the end of this period.

Non-finalisation of 'advance' and 'on account' payments of subsidy to importers of iron and steel—Para 37 of Audit Report (Civil), 1958.

11. Under the scheme for equalisation of sale prices of steel, whenever the imported price of steel is higher than the controlled price at which the main producers are required to sell it, the difference is paid as a subsidy to the importers from the Steel Equalisation Fund on production of original documents showing the actual

imported prices together with the consignees' receipts for the steel delivered to them by the importers at equated rates.

Discretionary powers were delegated by Government to the Iron and Steel Controller and his Accounts Officers on 28th April, 1954, to allow (with financial concurrence) *ad hoc* (advance) payments of subsidy to the importers after satisfying themselves about the *prima facie* justification therefor without production of complete supporting documents. The percentage of such advance payment of subsidy was fixed at 60% in April, 1954, and raised to 80% in April 1955; again to 90% in May 1956 (subject to the production of proof of despatch) and finally to 95% in December, 1956 where clear Railway Receipts (in the case of despatch by rail) or the consignees' signed challans (in the case of delivery by road) were available.

On 22nd November, 1957, Government further authorised the Department to make 'on account' payments to the extent *prima facie* admissible on the subsidy bills outstanding upto the period 30th September, 1957 after obtaining indemnity bonds from the importers.

During the course of audit of the account of the Equalisation Fund, it was noticed that about 5,000 cases of 'advance' and 'on account' payments involving Rs. 20 crores approximately made from 1955 to April, 1958 were yet to be finally settled. The cases outstanding increased to 6,000 as on 31st March, 1959 involving about Rs. 28 crores. Further, in a large number of cases, advance payments had been made by subordinate officials without the approval of the competent authority.

12. The sub-Committee were informed that there was always a time-lag between the submission of bills by importers for payment of subsidy and their payment. In December, 1953, the Iron and Steel Controller approached Government for issue of an amendment to the accounting procedure of the Iron and Steel Equalisation Fund to enable him to pay from the Fund to Importers, *ad hoc* advance payments not exceeding 60% of their subsidy claims, with the prior approval of the local Finance Officer in cases where claims could not be met in full for want of complete supporting documents. This was agreed to by Government in April, 1954. Due to rise in the prices of steel in the foreign markets, the subsidy payable also increased considerably and it became necessary to authorise 80% instead of 60% advance payment on importers' claims. This was done in April, 1955. In view of the inordinate delay in getting consignees' receipts, and the time taken in processing the claim bills, the Iron and Steel Controller proposed, in April, 1956 that the importers be paid 90% instead of 80% advance payment. This also

was agreed to in May, 1956. With the introduction of uniform prices of steel with effect from 11th June, 1956 importers had to bear, in the first instance, the inland freight in respect of despatches to consignees in the interior. Importers represented that initial payment of this freight almost nullified the advantage they were getting by 90% advance payment. It was, therefore, decided that where 'clear' Railway Receipts were produced, importers be paid 95% instead of 90%.

13. With regard to the circumstances leading to advance payments made by subordinate officials without the approval of the competent authority, the sub-Committee were informed that in the early stages as it was not possible for the Iron and Steel Controller himself to sign all the memoranda to the local Finance Officer sanctioning the advance payments, the memoranda were being signed by the Deputy Assistant Controller in charge of the Import Subsidy Section or Deputy Price and Accounts Officer under the verbal orders of the Controller. Afterwards, the Price and Accounts Officer was also authorised by the Ministry from 28th May, 1956, to sanction these advance payments but whenever Iron and Steel Controller|Price and Accounts Officer were away from office on tour or on leave, these memoranda were being signed by the Deputy Price and Accounts Officer to avoid hardship to the importers. It was considered that when the bill was passed finally by the Price and Accounts Officer before submission for pre-audit, it would automatically be regularised. As, however, Audit did not accept this, there had been no such case for the last two years.

14. *While the sub-Committee appreciate the reasons that led to the ad hoc payment of the major portion of the subsidy prima facie admissible, they regret to observe that due attention was not paid to the important question of finally settling the ad hoc payments of subsidy so as to ensure that subsidy was paid only where it was actually admissible and to the extent due.* To ensure this, the consignees' receipts were the most important documents. But in a majority of cases, the receipts were not forthcoming. The sub-Committee inquired why the consignees (who in a large number of cases were the Government Departments and the contractors sponsored by those Departments) did not furnish the receipts to the importers. It was explained to the sub-Committee that one of the reasons was the discrepancy between the quantity of steel actually received by the consignee and that shown in the Railway Receipt as actually despatched. In such a case the consignee gave a receipt only for the quantity actually received at his end. On the other hand the importer had been paid by the Iron and Steel Controller the subsidy admissible on the quantity shown in the Railway Receipt as having

been despatched. In reply to a question whether in such cases the importer got payment (at the controlled rates) from the consignee on the full quantity stated to have been despatched, the sub-Committee were informed that so far as Government Departments and those sponsored by them were concerned, payments were made by the consignees only on the quantity actually received at their end; others had to pay on the full quantity before clearing the Railway Receipt.

15. In reply to another question the sub-Committee were informed that no claim appeared to have been lodged against the Railways either by the consignee or the importer for the shortage in transit. Obviously the Government Departments and the consignees sponsored by them did not care to lodge any claim as they had paid to the importer only for the quantity actually received by them. But it was not clear to the sub-Committee why the importer did not take any initiative in spite of the fact that he was paid only on the actual quantity received. It was not clear to them why the other consignees, who had paid for the entire quantity stated to have been despatched, did not claim compensation from the Railways. As the sub-Committee could not get any convincing explanation, they enquired whether the missing quantity might have gone into the blackmarket. *It was admitted that there was such a possibility, in cases when the consignments were despatched to self, as was usual in commercial practice. Further, there was no check on the quota holders to whom steel was supplied as to whether the steel was used fully for the purposes meant. As allotments were made by the Iron and Steel Controller on the recommendations of the sponsoring authorities it was the responsibility of the latter to ensure that the quantity asked for was reasonable and that it was utilised for the stated purpose. There was also a possibility of some quantity of steel finding its way into the blackmarket in this manner.*

16. *The sub-Committee regret to observe that when the question of relaxation of the procedure for enabling payment of advance subsidy to importers was decided, it was unfortunate that a time limit was not fixed for the submission of consignees' receipts—a necessary concomitant of the decision. According to the terms of the contract, the importers were responsible to produce the consignees' receipt and settle the subsidy payments to them. The sub-Committee, therefore, thought that notices might be served on the importers requesting them to furnish the consignees' receipts within a stipulated time, failing which action would be taken to recover the unadjusted portion of the subsidy.*

The Comptroller and Auditor General nowever felt that a solution on the following lines may be feasible in respect of outstanding cases:—

“As the procurement of the consignees’ receipts for the old bills at this distance of time would be a difficult and time-consuming process, about 15% to 20% cases should be selected at random, in consultation with Audit, for which the consignees’ receipts should be obtained if necessary by sending down an officer. On the basis of this test check, the genuineness of the transactions could be assessed. If there was no evidence of serious irregularities it should be assumed that the other transactions are also genuine and the Iron and Steel Controller could so certify. On the basis of this certificate, Audit would clear all the bills outstanding on this account. If however there was no satisfactory evidence of receipt in some of the cases covered by the test check, the percentage will have to be increased and all such cases would have to be further investigated”.

According to the statements furnished to them, the sub-Committee find that heavy amounts of the subsidy actually paid were awaiting final adjustment. The sub-Committee would like the investigations to be carried out as suggested above and a report submitted by 31st October, 1960.

17. The sub-Committee trust that Government will benefit by this experience and devise appropriate and timely checks to ensure that such a situation does not recur in future.

*Amounts due from Sundry debtors of Steel Equalisation Fund—
Para 38 of Audit Report (Civil), 1958.*

18. In para 5 of the Audit Report (Civil), 1955, it was mentioned that the transactions of the Steel Equalisation Fund were being kept out of the Consolidated Fund of India. On 19th November, 1957, Government decided, in consultation with Audit, that with effect from 1st April, 1957, the corpus of the Fund should be transferred to the Public Account of India and that the receipts and payments connected with the Fund should be passed through the Consolidated Fund.

The ‘balance’ at the credit of the Fund, which stood at about Rs. 17 crores on 1st April, 1957, had gone down to Rs. 3.78 crores on 31st March, 1958. The steep fall in the balance is attributable mainly to the delay in effecting recoveries from the main producers

(TISCO & IISCO) the difference between the selling price and retention price of steel. The estimated amount thus recoverable from the two main producers as on 31st July, 1958, was Rs. 15.09 crores. No formal agreements existed with the main producers for depositing the amounts due to Government within a definite time limit. The delay in recovery gave the steel producers a financial benefit in the use of funds without incurring interest liability.

19. The sub-Committee were informed in evidence that the amount due from TISCO and IISCO at the end of January, 1960 had come down to Rs. 6.51 crores as a result of certain adjustments necessitated by the increase in retention price of steel with retrospective effect. In reply to a question whether the main producers were making payments regularly of the amounts due to the Fund, the sub-Committee were informed that the producers were making 'on account' payments every month.

20. The sub-Committee, however, understand that there is a time-lag of about 6-8 months in payment of the dues worked out on the basis of monthly statement of sales received from the main producers and therefore the "on account" payments, though made monthly, represented mostly the over-due amounts. *The sub-Committee consider that the time-lag should be reduced to the extent absolutely necessary and the "on account" payments made every month should represent the approximate amounts due in respect of the sales of the previous month. The Secretary agreed to examine this matter. The sub-Committee would like to know the decision in the matter.*

*Irregularities connected with import of steel on subsidy basis—
Para 39 of Audit Report (Civil), 1958.*

21. In order to make available sufficient quantity of iron and steel to essential consumers in the country at controlled price Government authorised the Iron and Steel Controller in December, 1954 to arrange for import of iron and steel on subsidy basis, the subsidy to be paid from the Iron and Steel Equalisation Fund. Although the powers of purchase delegated to the Iron and Steel Controller were subject to several limitations, principally, the total value of each purchase, individual limit of subsidy, rate of subsidy per ton on certain individual categories of sales, passing over of the lowest tender, purchase by negotiation etc. the Organisation disregarded most of these limitations and purchased largely in excess of its powers. When at a later stage payments of subsidy on bills were objected to by Audit on the score of purchases being beyond the powers of the Iron and

Steel Controller, the Iron and Steel Controller approached Government for regularisation by submitting to Government lists of all such purchases. Government issued omnibus sanctions regularising purchases made in about 200 contracts relating to the period November, 1954 to September, 1956 with total value of about Rs. 77 crores involving subsidy payment of about Rs. 14 crores.

22. It was explained by the Iron and Steel Controller that the Organisation could not seek the necessary prior approval of Government in time because of a number of reasons, e.g., the quick tempo of purchases, lack of adequate data to calculate the exact subsidy involved, difficulties in correlating the purchases made against the different sanctions issued. The local Finance had, however, been consulted by the Iron and Steel Controller in each case. In extenuation, it was urged that the purchases had to be made in a hurry because a number of projects came up rapidly. In reply to a question whether the Iron and Steel Controller apprised the Secretary of the Ministry over the phone and asked for a formal sanction approving his action, the sub-Committee were informed that it was not done. The explanations of the Officers had been obtained and Government's displeasure had been communicated to the officers concerned.

23. It was claimed by the I. & S. Controller that no *ex-post facto* sanction would be necessary in respect of Accepted Tenders issued in 1958 and 1959 although in respect of certain purchases made in 1957 regularisation by Government would be necessary.

At present payments of subsidy on imported steel for which orders were placed by the Iron and Steel Controller are made by the Price and Accounts Officer with the approval of the local Finance. They are scrutinised by Audit. In cases where it is found that the amount admissible on the basis of claims submitted was less than the advance already made, necessary adjustments are carried out immediately. To ensure that the Iron and Steel Controller does not disregard the limitations on his power of purchase, it has been enjoined that the Controller should exercise those powers in consultation with the local Finance in Calcutta.

24. *The sub-Committee trust that Government will ensure that the Iron and Steel Controller strictly observes in future the restrictions imposed on his powers of purchase.*

Delay in effecting recoveries—Para 35 of Audit Report (Civil), 1959

25. In accordance with the procedure laid down in 1953 by the Steel Control Organisation for the recovery of cost of imported steel

(initially paid for by the Organisation on arrival) the controlled stockists were required to make payment within 7 days of presentation of claims, of the value of imported steel allotted to them. In May, 1954 the controlled stockists were, however, informed that in respect of future allotments of imported quota under T.C.M. Scheme they should pay 90 per cent of the value of the steel before taking delivery of the material and 10% within 7 days of presentation of claim after delivery. The stockists represented to the Organisation that it would be difficult for them to pay 90% of the value before taking delivery because of the slow offtake of the steel by the consumers. The Organisation thereupon revised the procedure and authorised the stockists in August, 1954 to make payment after the actual delivery of the material to them but subject to a reduction of their remuneration by Rs. 2|8|- per ton as a *quid pro quo* for the credit facilities involved in the revised procedure.

As the revised procedure provided credit to the stockists without indemnity bonds, the matter was brought to the notice of Government by Audit in March, 1955. In September, 1957 Government introduced a changed procedure under which the stockists were allowed to take delivery of the steel subject to a bank guarantee covering the value, payments being made in four monthly instalments beginning from the date of presentation of the bill. It was also provided therein that in the case of "slow-moving" categories of steel the stockists could be allowed to store the steel in their custody, without either pre-payment of full value or furnishing any bank guarantee, subject to their furnishing a security deposit of 10% of the value of the steel delivered to them on credit. This latter condition was also to apply to stocks lying with the stockists (on credit) prior to the introduction of the revised procedure which effect from the 17th September, 1957.

It was noticed in audit that the revised procedure was not rigidly enforced with the result that a sum of Rs. 29.29 lakhs was due from various controlled stockists upto November, 1958, out of the materials allotted to them prior to 17th September, 1957 and completely sold by them subsequently. According to the Organisation, the provisions of the revised procedure for recovery of cost of the imported steel could not be enforced as, in respect of some consignments, the steel had to be delivered without payment to avoid payment of demurrage charges to the Port authorities. It was also urged that recoveries were not strictly enforced because of certain counter claims by the stockists to the extent of Rs. 6.8 lakhs in the shape of transport charges for the period 1953—55 which was sanctioned for re-imbursement by Government in March, 1958.

26. As for the non-recovery of Government dues from the controlled stockists who had already realised the money from the consumers, the sub-Committee were informed that initially factual data had to be collected from the Controlled Stockholders regarding build up of the rate claimed by them for determining the amounts admissible. Correspondence had also to be made with some State Governments and the Shipping Officers at different ports to ascertain the transport charges allowed to Government contractors, for fixing suitable rate. The stockists were persuaded to accept the rates lower than those originally claimed by them. A draft sanction for approval of the rates was forwarded to the Ministry in August, 1957 with the concurrence of the local Finance. But the sanction issued in March, 1958 had to be amended because of certain observations made by Audit. A revised sanction was then issued in April, 1959. When the stockists were pressed to pay the outstanding dues to Government, they did not pay on the plea that they had counter-claims on account of re-imbursement of road transport charges and shortages.

27. According to the revised procedure no bank guarantee covering the value was considered necessary in respect of 'slow moving' category of steel made over to the stockists except a security deposit of 10% of the value. The sub-Committee wanted to know how Government's interests were safeguarded against possible losses of this kind of steel. They were given to understand that when the revised procedure for the recovery of the cost of imported steel was under consideration, the Iron and Steel Controller pointed out that certain categories of TCA steel were "slow moving" and as there was no transit depot under his control, he found it extremely difficult to make arrangements for their storage. As controlled stockists were not willing to make advance payments or furnish bank guarantees for the full value (as it meant locking up of their capital) in respect of these slow moving stocks, there was no alternative but to take 10% security deposit and recover the balance of 90% on the basis of sales of these stocks every month.

28. *The sub-Committee consider it their duty to point out that while all the possible difficulties facing the importers were provided for in the revised procedure, no serious attention was paid either to cover the risks taken by Government in affording credit facilities or to ensure prompt recovery of the amounts as and when they fell due. Had a clause been inserted in the agreement for the levy of penal rate of interest for delay in payment by the stockists, the dues would not have accumulated to such proportions.*

29. In reply to a question the sub-Committee were informed that some stockists were also importers. Such firms had thus in their stocks the imported steel eligible for subsidy and the steel imported under T.C.A. on credit. Although the sub-Committee did not have the material to examine how far the confusion and delay in the final settlement of subsidy claims on imported steel (para 11 above) can be attributed to this dichotomy, *the sub-Committee are of opinion that Government should do well to look into this aspect while conducting the scrutiny contemplated in paragraph 16.*

Undue financial concession to a Steel Company—Para 37 of Audit Report, 1959.

30. In March, 1950, a steel company claimed an increase of Rs. 23½ per ton in the retention price of steel produced and sold by them during the year 1949. Government increased the retention price for 1949, but stipulated that, if after further examination the increase was not found to be justified, the Company should adjust the amount by suitable reduction in the price of steel supplied to Government from 1953, so that a sum of not less than Rs. 7 lakhs was adjusted every year and the entire adjustment completed in six years.

On 25th June 1951, the Company was informed that there was no justification for an increase in the retention prices claimed for the year 1949 and that it should start the adjustment of the amount by suitable reduction in accordance with the agreed terms. The Company, however, did not commence adjustment in time and a revised schedule of refund was drawn up in June, 1956, whereby the Company was to refund Rs. 5 lakhs by rebate on the quantity of steel to be supplied by it to Government during the year 1957-58. The balance was to be adjusted in three instalments during July of each year from 1961-62. The amount of Rs. 5 lakhs due in 1957-58 was adjusted by the Company in August, 1957 and the balance of Rs. 44,40,000 was pending adjustment (till December, 1958).

31. *The sub-Committee understand that the amount outstanding against the Steel Company has not been incorporated in the accounts of the Iron and Steel Equalisation Fund even now and as such the accounts do not represent the correct position. This should be set right early.*

NEW DELHI—1;
The 18th March, 1960.
Phalguna 28,, 1881 (Saka).

UPENDRANATH BARMAN,
Chairman,
Sub-Committee of P.A.C.

APPENDICES

APPENDIX I

Proceedings of the Fifty-sixth sitting of the Public Accounts Committee held on Thursday, the 24th March, 1960

The Committee sat from 14.30 to 15.30 hours.

PRESENT

Shri Upendranath Barban—*Chairman*

MEMBERS

2. Shri T. Manaen
3. Shri Radha Raman
4. Shri Rameshwar Sahu.
5. Shri Aurobindo Ghosal.
6. Shri Yadav Narayan Jadhav.
7. Shri Shraddhakar Supakar.

Shri G. S. Rau, *Additional Deputy Comptroller and Auditor General.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation, Steel, Commerce, Supply and Mines.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

2. The Committee considered and approved the Report of the sub-Committee on the working of the Iron and Steel Controller's Organisation.

3. The Committee then adjourned till 15.00 hours on Monday, the 28th March, 1960.

APPENDIX II

Summary of the conclusions/recommendations of the Twenty-sixth Report of the Public Accounts Committee (Second Lok Sabha) on the working of the Iron and Steel Controller's Organisation.

S. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
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1	2	3	4
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1	8	Steel, Mines & Fuel (Deptt. of Iron & Steel)	
		Iron & Steel Controller	

The Committee are concerned to learn that such a large amount (Rs. 1.5 crores according to the Ministry) relating to a period covering over six years remains unadjusted for such a long time. The invoices received from the main producers were not coded in the Price Card Book as required under the procedure prescribed. Nor did the Iron & Steel Controller watch the receipt of the monthly consolidated statements from the main producers. Iron & Steel Controller's Organisation did not seem to bother about the adjustments for more than two years (from 1949 to 1951) till Audit pointed out the omission. Thereafter a hitch arose about the date from which the adjustments should be made and it took about 14 months (from November, 1951 to January, 1953) to have the matter settled. The Committee were perturbed at the manner in which the then Iron and Steel

Controllor (who was serving in an honorary capacity) was oblivious of his statutory responsibilities. They felt that the relevant file (1949-51) would throw some light on this, but strangely and unfortunately it was missing. The Committee also consider that period of 14 months taken to settle this point was unjustifiable. Even if there were a *bona fide* doubt about the effective date of the orders of Government from which adjustments should be made, it would have been more prudent to carry out the adjustment from the later date (1-5-1949) leaving the question of retrospective application of the orders from the earlier date (1-1-48) open.

Do.

(ii) The Committee are far from happy at the way in which the matter has been dealt with. The Committee consider that it will stand Government in good stead if the statements are compiled from the documents available with the Iron and Steel Controllor and the amount to be adjusted, computed.

Do.

(iii) The matter has been kept pending for an unduly long period. The Committee consider that the Ministry should adopt the suggestion is the preceding paragraph and proceed with the work with utmost expedition. In the opinion of the Committee it should be possible to clear the outstandings from both the main producers by 31st October, 1960. The Committee would like to have a report at the end of this period.

Do.

While the Committee appreciate the reasons that led to the *ad hoc* payment of the major portion of the subsidy *prima facie* admissible, they regret to observe that due attention was not paid to the important question of finally settling the *ad hoc* payments of subsidy so as to ensure that subsidy was paid only where it was actually admissible and to the extent due.

2

Steel, Mines & Fuel
(Dept. of Iron & Steel)
Iron & Steel Controller

15

(ii) It was admitted before the sub-Committee that there was a possibility of blackmarket in cases when the consignments were despatched to "self", as was usual in commercial practice. Further there was no check on the quota holders to whom steel was supplied as to whether the steel was used fully for the purposes ment. As allotments were made by the Iron & Steel Controller on the recommendations of the sponsoring authorities it was the responsibility of the latter to ensure that the quantity asked for was reasonable and that it was utilised for the stated purpose. There was also a possibility of steel finding its way into the blackmarket in this manner.

16

Steel, Mines & Fuel
Dept. of Iron & Steel

C. & A. G.

(iii) The Committee regret to observe that when the question of relaxation of the procedure for enabling payment of advance subsidy to importers was decided, it was unfortunate that a time-limit was not fixed for the submission of consignees' receipts—a necessary concomitant of the decision. The Committee thought that notices might be served on the importers requesting them to furnish the consignees' receipts within a stipulated time, failing which action would be taken to recover the unadjusted portion of the subsidy. The Comptroller and Auditor-General, however, felt that a solution on the following lines may be feasible in respect of outstanding cases:—

"As the procurement of the consignees' receipts for the old bills at this distance of time would be a difficult and time-consuming process, about 15% to 20% cases should be selected at random,

in consultation with Audit, for which the consignees' receipts should be obtained if necessary by sending down an officer. On the basis of this test check, the genuineness of the transactions could be assessed. If there was no evidence of serious irregularities it should be assumed that the other transactions are also genuine and the Iron and Steel Controller could so certify. On the basis of this certificate, Audit would clear all the bills outstanding on this account. If, however, there was no satisfactory evidence of receipt in some of the cases covered by the test check, the percentage will have to be increased and all such cases would have to be further investigated".

According to the statements furnished to them the Committee find that heavy amounts of subsidy actually paid were awaiting final adjustment. The Committee would like the investigations to be carried out as suggested above and a report submitted by 31st October, 1960.

17

(iv) The Committee trust that Government will benefit by this experience and devise appropriate and timely checks to ensure that such situation does not recur in future.

3

Steel, Mines & Fuel
(Deptt. of Iron & Steel)

20

The Committee understand that there is a time-lag of about 6—8 months in payment of the dues worked out on the basis of monthly statement of sales received from the main producers and therefore the "on account" payments, though made monthly, represented mostly the over-due amounts. The Committee consider that the time-lag should be reduced to the extent absolutely necessary and the "on account" payments made every month should represent the approximate amounts due in respect of the sales of the previous month. The Secretary agreed to examine this matter. The Committee would like to know the decision in the matter.

4	24	Steel, Mines & Fuel (Deptt. of Iron & Steel)	The Committee trust that Government will ensure that the Iron and Steel Controller strictly observes in future the restrictions imposed on his powers of purchase.
5	28	Do. Iron & Steel Controller	The Committee consider it their duty to point out that while all the possible difficulties facing the importers were provided for in the revised procedure, no serious attention was paid either to cover the risks taken by Government in affording credit facilities or to ensure prompt recovery of the amounts as and when they fell due. Had a clause been inserted in the agreement for the levy of penal rate of interest for delay in payment by the stockists, the dues would not have accumulated to such proportions.
		Do.	The Committee are of opinion that Government should do well to look into the question as to how far the confusion and delay in the final settlement of subsidy claims (to importers) on imported steel (Sr. No. 2 above) were attributable to the fact that some importers were also stockists.
6	31	Steel, Mines & Fuel (Deptt. of Iron & Steel)	The Committee understand that the amount outstanding against the Steel Company has not been incorporated in the accounts of the Iron and Steel Equalisation Fund even now and as such the accounts do not represent the correct position. This should be set right early.

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Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	50.	Chanderkant Chiman Vora, Gandhi Road, medabad.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	51.	S. Krishnaswamy & P. O. Teppakulam, Thirapalli-1.
3.	British Book Depot, 84, Hazratganj, Lucknow.	28.	City Booksellers, Sohan-ganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road (Gun Found Hyderabad).
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	(R). M. Gulab Singh & S (P) Ltd., Press Area, Athura Road, New Delhi
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, (Opp. Clock Tower, Fort, Bombay.	54.	(R). C. V. Venkitachala Iy Near Railway Station, C lakudi (S.I.).
6.	H. Venkataraniiah & Sons, Vidyavidhi Book Depot, New Statue Circle, Mysore.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	55.	(R). The Chindambaram P vision Stores, Chindambaram
7.	International Book House, Main Road, Trivandrum.	32.	M. S. R. Murthy & Co., Visakhapatnam.	56.	(R). K. M. Agarwal & So Railway Book Stall, Udupur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	(R). The Swadesamitran Ltd Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	34.	The Goods Companison, Baroda.	58.	The Imperial Publishing Co., 3, Faiz Bazar, Daraganj, Delhi-6.
10.	Book Centre, Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	The High Commission India, Establishment Department, Aldwych, London W. C. 2.
11.	J.M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	60.	Current Book Stores, Muruti Lane, Raghunath Dad Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	International Consultant Corporation, 48c, Marrepally (East) Secunderabad -3 (A.P.)
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Moria Park, Bhopal.	62.	K. J. Aseervandam & Son Cloughpet, P.O. Ongol Guntur Distt. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	E. M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.	63.	The New Order Book Co Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M.U., Aligarh.	64.	The Triveni Publisher Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	'Bookland', 663, Madar Gate Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co., Ltd., 3, Old Court House Street, Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press Balamandira, Gandhinagar Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Agarwal, Hospital Road, Agra.		
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers, Trichinopoly-3.	49.	D. B. Taraporewala & Sons Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W.E.A. Karol Bagh, Delhi-5.				

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